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RUEHTU/AMEMBASSY TUNIS PRIORITY 3353
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RUEHJM/AMCONSUL JERUSALEM PRIORITY 6779
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
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STATE FOR NEA, NEA/IPA, NEA/PPD

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NSC FOR NEA STAFF

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CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Leading electronic media reported that at 9 A.M. today (Israel Time) the Winograd Commission probing the Second Lebanon War started disclosing the testimonies of 24 people it questioned, including PM Ehud Olmert, Defense Minister Amir Peretz, and former IDF chief of

staff Dan Halutz. As reported in various media, Olmert was quoted as saying in his testimony that he knew all the time that Israel would be attacked from the North and that he had warned the army about it. Olmert was quoted as saying that the IDF's command was faulty. Olmert reportedly also told the Commission that Peretz is not responsible for the failure of the war. Halutz was quoted as telling the Commission that the IDF had been ready to act. Peretz was quoted as saying that his contribution to the war was important and decisive.

Israel Radio reported that this morning three Qassam rockets were fired at Israel. Leading media reported that an IDF soldier was lightly wounded in Nablus.

Yediot reported that starting today Jordanian King Abdullah II will sponsor "marathon talks" to advance the Saudi peace plan and promote the resumption of Israeli-Palestinian talks. The media reported that today the Jordanian and Egyptian foreign ministers will meet with FM Tzipi Livni in Cairo and that the King will host a group of Israeli public figures in an effort to tell them that "there is nothing to fear from the Arab peace plan." In four days Abdullah will host Nobel Prize laureates in Petra, including Shimon Peres. Yediot wrote that two days later, in Aqaba, the King will take part in a meeting of 200 Israeli and Palestinian figures to discuss ways to implement cooperation between the two peoples and what should be one so that Israel adopts the Arab initiative.

Makor Rishon-Hatzofe quoted associates of former PM and leading premiership contender Ehud Barak as saying in an interview with the newspaper that Barak will launch a plan to separate Israel from the Palestinians. Major media (lead stories in Maariv and The Jerusalem Post) reported that on Wednesday Vice PM Shimon Peres told Olmert that he would seek the state's presidency, and not cooperate with Knesset members seeking to topple Olmert and have Peres replace him. (Makor Rishon-Hatzofe dubbed Peres the "perennial candidate.") All media reported that Likud MK Reuven Rivlin, a former Knesset speaker, met leader of the Shas party, including the party's mentor, Rabbi Ovadia Yosef, in a bid for the ultra-Orthodox party's support in his race for president. However, the media quoted Shas Chairman, MK Eli Yishai, as saying after the meeting that Shas's inclination is to vote for Peres. Yediot cited June 13 as a likely date for holding the presidential elections.

Ha'aretz cited the belief of Palestinian and Israeli security sources that there are approximately 15 active tunnels in Rafah in

the southern Gaza Strip, between the PA and Egypt. The sources were quoted as saying that tunnels are being used by smugglers to move arms, drugs and people. The same sources were quoted as saying that there are at least 10 other tunnels in the area that are not in use due to various technical reasons. According to Ha'aretz, the Rafah tunnels are being controlled by the most powerful clans in the area, who consider them a very lucrative source of income. Ha'aretz noted that the US is demanding in its "benchmarks plan" to Israel and the Palestinians that the latter work to counter the tunnel phenomenon.

Deputy Defense Minister Ephraim Sneh was quoted as saying on Wednesday, in an interview with Ha'aretz, that the World Bank report on restrictions imposed by Israel on the freedom of movement of Palestinians is full of errors and imbalanced.

Maariv reported that, in a makeover, most bodies of the Israeli intelligence community favor negotiations with Syrian President Bashar Assad. The newspaper wrote that the Foreign Ministry has joined claims by Israel's National Security Council and IDF Intelligence that Syria's signals should be seriously scrutinized. According to Maariv, only the Mossad keeps insisting that Assad does not want peace.

British Ambassador to Israel Tom Phillips was quoted as saying in an interview with The Jerusalem Post that Israel will continue to come under blistering criticism in Britain, some of it "totally unjustified," as long as "Israel is regarded as an occupying power."

US Representative Gary Ackerman (D-NY), Chairman of the House Foreign Affairs Middle East and South Asia Subcommittee, was quoted

as saying on Tuesday, in an interview with The Jerusalem Post, that Israel's handling of last summer's controversial conflict in Lebanon should serve as a model for the US and its own war in Iraq. Ackerman was quoted as saying that, while Israel is thoroughly reviewing its military, "we have an administration that is still in denial."

Leading media reported that Hamas's TV channel is using a lookalike Mickey Mouse character to instill hate for Israel and the US in the Palestinian children. The Jerusalem Post reported that Hamas pulled the figure following protests.

Yediot cited the US-based Spanish-language network Telemundo-TV as saying that Hizbullah has set up an organizational infrastructure and a training base in Ciudad del Este, Paraguay. Yediot cited the United States' concern that Hizbullah militants might infiltrate the porous Mexican border to carry out attacks in the States.

All major media reported that on Wednesday IDF reservists were videotaped hitting and punching Israeli protesters in the southern Hebron Hills.

Ha'aretz reported that earlier this week the GOI declared illegal the annex of Hamas in Israel -- the Reform and Change party.

Ha'aretz quoted National Infrastructure Minister Binyamin Ben-Eliezer as saying on Wednesday that an Israel TV-produced documentary that claimed that soldiers from the Shaked Battalion unarmed Egyptian prisoners at the end of the Six-Day War harmed Israel's relations with Egypt. Ha'aretz quoted Ran Edelist, the film's producer, as saying on Wednesday that Egyptian and Israeli media had culled inaccurate quotes from the movie. Edelist clarified that his film does not claim that the IDF had killed POWs. Maariv reported that Egyptian FM Ahmed Ali Abu al-Gheit confirmed this in a television interview.

Leading media cited a report on the functioning of the government and other publicly funded institutions, which State Comptroller Micha Lindenstrauss presented on Wednesday. The Jerusalem Post said that the many irregularities found by the Comptroller are topped by the army's alleged failure to properly handle the threat of Qassam rockets from and weapons smuggling into the Gaza Strip. Ha'aretz said that the state comptroller's reports on the Second Lebanon War are not due for a few more months but that it is already clear from the research done on the disengagement from the Gaza Strip that the problems in the army and the defense establishment began long before

July 12, 2006, the day when Hizbullah abducted two IDF soldiers.

The Israeli human-rights organization B'Tselem inserted a paid supplement in today's Ha'aretz. The publication states: "Israel undoubtedly has the obligation to act in order to protect its citizens' lives. But along with the power comes responsibility."

Ha'aretz, The Jerusalem Post, and other media reported that on Wednesday the opposition submitted a proposal to hold early elections for the prime minister's seat, without dispersing the Knesset or altering the election system. The bill, which was designed to replace PM Olmert and would mandate elections within 60 days, is not expected to pass.

Yediot reported that on Sunday the cabinet will approve a 650-million shekel (around USD 163.5 million) investment in the city of Jerusalem. The plan includes the transfer of government branches to the city, tax breaks, and a 200-million shekel (around USD 50.3 million) grant to the city.

The Jerusalem Post, Ha'aretz, and Makor Rishon-Hatzofe reported that on Wednesday 37 African refugees -- 24 of them fleeing the Darfur region of Sudan -- were tossed back and forth from the police to the IDF. The media reported that the Beersheva Municipality eventually opened the city's doors to the refugees.

The Jerusalem Post ran a feature about Yehuda Wedesheim, an IDF soldier who grew up in Milwaukee and won a medal for his single-handed heroism in the Second Lebanon War.

Yediot reported that Haim Yavin, the "mythological" Israel TV

newscast anchorman, is retiring. He will be hosting a talk show on the same channel.

All media reported that on Wednesday the US dollar reached its lowest rate in eight-and-a-half years on Tel Aviv's financial market -- 3.974 shekels. Major media reported quoted Bank of Israel Governor Stanley Fischer as saying on Wednesday that a recession in the long term is likely in Israel, and that external financing sources would be the key to pulling out of it.

Ha'aretz reported that a study conducted by Swiss research institute IMD in cooperation with the Federation of Israeli Chambers of Commerce has ranked Israel as first among the 55 most developed countries in the world when it comes to public and private spending on research and development compared to GDP. The study also found

Israel has the most skilled engineers in the work force, ranked second in raising capital for business development, and second in information technology. In contrast, Israel placed 52nd with regard to participation of men and women in the work force, and 42nd in its ability to maintain stable labor relations. The study also reviewed countries' performance according to four indices: economic efficiency, government efficiency, business efficiency and infrastructure. Israel ranks 33rd, 25th, 16th and 14th in each respectively. In real GDP growth Israel ranks 26th. GDP per capita in dollar terms ranks Israel in 33rd place, while in terms of direct investment by foreign residents it ranks fairly high, in 6th place.

Yediot quoted the Chief Rabbi of Rome, Riccardo Shmuel di Segni, as saying on Wednesday that the anticipated beatification of the late Pope Pius XII harms Jewish-Christian relations.

The Jerusalem Post reported that this week a group of US airport authority heads got an inside look at the running of the Israeli airport system in the hope of learning new ways to improve the overall security and efficiency of US airports.

Yediot reported that an Israeli study published in the scientific journal Geophysical Research proved the validity of the "butterfly effect" theory that thunderstorms in Africa cause tropical storms and hurricanes in the Atlantic Ocean that affect the US.

Mideast:

Summary:

The independent, left-leaning Ha'aretz editorialized: "The gradual improvement [of conditions in the Palestinian territories], monitored by the Americans, would be an attempt to prevent an outbreak of violence in the region.... There is no choice but to agree, regretfully, with the findings of the World Bank report that Israel is preventing the rehabilitation of the West Bank economy."

Veteran columnist Evelyn Gordon wrote in the conservative, independent Jerusalem Post: "For Rice, desperate to buy Arab and European support on Iraq with 'progress' on the Israeli-Palestinian front, higher Israeli casualties may well be a price worth paying. But no responsible Israeli government could concur." Military correspondent Amir Rappaport wrote in the popular, pluralist Maariv: "If ... the considerations are so clear, and show that we should hold negotiations with Syria, why aren't talks being held? The answer is simple: because the Americans have still not decided whether they permit us to talk to our neighbors."

The Jerusalem Post editorialized: "Israel desperately needs a full-time government now in order to begin a process of national recovery.... For now, Kadima and Labor are standing shoulder-to-shoulder to block such an eventuality."

Shlomo Avineri, Hebrew University Professor of Political Science and former director-general of the Foreign Ministry, wrote in Ha'aretz: "There will be no true compromise between Israel and the Palestinians without a readiness on their part ... to admit that they, too, are partly responsible for what happened to them in 1948."

Block Quotes:

I. "No Life on the Other Side"

The independent, left-leaning Ha'aretz editorialized (5/10): "It is difficult for Israelis who move freely throughout their country to understand Palestinian life in the West Bank, which becomes more difficult from year to year, from one agreement to the next. After it was decided to remove West Bank roadblocks to allow for movement that does not endanger Israeli security, it turned out that additional surprise roadblocks had been established.... Even a government that, due to its weakness, is not currently capable of working to resolve the conflict with the Palestinians cannot free itself of its obligation to manage the occupied territories in a way that enables people to live there.... The Ehud Olmert government and the Hamas government refuse to implement the steps the United States has suggested to both sides, despite Palestinian Authority Chairman Mahmoud Abbas's position on the matter. This refusal involves neither intelligence nor purpose, just an ongoing and frustrating failure. The gradual improvement, monitored by the Americans, would be an attempt to prevent an outbreak of violence in the region. The proposal was viewed by the Israeli government as a command, rather than as the act of a helpful friend. Therefore, there is no choice but to agree, regretfully, with the findings of the World Bank report that Israel is preventing the rehabilitation of the West Bank economy."

II. "Benchmarks For a Bloodbath"

Veteran columnist Evelyn Gordon wrote in the conservative, independent Jerusalem Post (5/10): "US Secretary of State Condoleezza Rice is not purposely trying to destroy all of Israel's hard-won security gains of the last five years. But if she were, she could hardly have improved on her new benchmark proposal.... Thus six months before PA forces are even in position to combat Gazan terror, Israel would be required to facilitate the export of this terror to the West Bank. And sometimes there is no parallel demand of the PA at all.... Indeed, Hamas publicly rejected the benchmark proposal last week precisely because the organization is 'preparing for battle,' to quote one of its leaders, Khaled Mashal. Why should Israel facilitate this effort? For Rice, desperate to buy Arab and European support on Iraq with 'progress' on the Israeli-Palestinian front, higher Israeli casualties may well be a price worth paying. But no responsible Israeli government could concur."

III. "It's Up to the Americans"

Military correspondent Amir Rappaport wrote in the popular, pluralist Maariv (5/10): "It is not gratifying to admit, but more than the [new, positive] position of the Israeli Foreign Ministry over the question of whether to hold negotiations with Syria -- it is the American position that matters.... Despite the fear of holding futile talks, there is still a chance that the Syrians are sincere in the intention to reach a peace agreement. But should Israel hand over all of the Golan Heights in exchange for a peace agreement with Syria? That is already a political issue, but it is easy to guess what Ehud Barak would decide if he could turn back the wheel to March 2000, when he was prime minister. The former Syrian president, Hafez Assad, then met with US President Bill Clinton and the last opportunity, to this day, was created to close a deal with the Syrians and to detach it from its alliance with Iran and Hizbullah. Israel did not agree to Assad's threshold conditions, and the opportunity was lost. If, more than seven years later, the considerations are so clear, and show that we should hold negotiations with Syria, why aren't talks being held? The answer is simple: because the Americans have still not decided whether they permit us to talk to our neighbors."

IV. "Blocking Tactics"

The Jerusalem Post editorialized (5/10): "Though [former prime minister Ehud] Barak claims that the Olmert government can survive without Labor, it seems that most Labor leaders and members do not share this view. Moreover, Barak's actions indicate the opposite,

namely thinks that the only way to avoid elections is for Labor to cling to the government. That said, it could well be that Labor's preference is for Kadima to oust Olmert so that Labor could have its cake and eat it too: no elections and no Olmert. There are, however, a few problems with this implicit Labor plan. The first is that Kadima is showing no signs that it will replace Olmert.... Second, the Labor Party, which presumably would like to present itself as representing change, renewal, and clean government, is in the meantime looking like Olmert's security blanket. Third, there is the biggest problem of all: that the world will not stop and wait for Winograd's next pronouncement and for the government to fall.... Israel desperately needs a full-time government now in order to begin a process of national recovery, to be ready for any eventuality, and to pursue a strategy that will not just be reactive, but will actively advance our national interests. For now, Kadima and Labor are standing shoulder-to-shoulder to block such an eventuality."

IV. "Until They Accept Responsibility"

Shlomo Avineri, Hebrew University Professor of Political Science and former director-general of the Foreign Ministry, wrote in Ha'aretz (5/10): "We can understand -- without justifying it -- the Palestinians' rejection of the [1947] partition plan, just as we can understand -- without justifying it -- the Revisionist [right-wing] Zionist position negating the partition. But most of the Jewish community accepted the idea. And if most of the Palestinians had accepted it, then an independent Palestinian state would have risen on part of Mandatory Palestine in 1948, without war and without refugees. The Palestinians are not prepared to deal with this complex reality.... Far be it from me to maintain that in 1948 the Jews were 'right' and the Arabs were 'wrong.' What troubles me and other Zionist Israelis wishing to be attentive to the Palestinians' pain and willing to help rectify injustices and accept a historic compromise, is the Palestinians' complete unwillingness to acknowledge that in 1948 they and their leaders made a terrible historic mistake -- of both political and moral proportions -- by rejecting the international compromise they were offered. It is for this reason that the Palestinians' customary comparison between the Nakba [catastrophe] and the Holocaust is so outrageous. Did the Jews of Germany and Europe declare war on Germany? Were the world's Jews offered a compromise that they rejected? Europe's Jews were murdered by the Nazis because they were Jews. What does that have to do with the Palestinians' decision to refuse the UN's compromise proposal and go to war? It would not be exaggerated to say that there will be no true compromise between Israel and the Palestinians without a readiness on their part -- however minute and partial, for the 'truth' is always complex -- to admit that they, too, are partly responsible for what happened to them in 1948."

CRETZ